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NOFORN ; INFORM CONSULS

E.O. 11652: GDS

TAGS: ECON, MILI, MNUC, PGOV, PINT, PLOS, SHUM

SUBJECT: BROAD TRENDS FORECAST

REF: STATE 291277 OF DECEMBER 7, 1977
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1. THE FOLLOWING FORECAST OF BROAD TRENDS IN GLOBAL
DEVELOPMENTS EXPECTED OVER THE NEXT 18 MONTHS WAS PREPARED
BY INR AT THE REQUEST OF S/P AND M AND IS OFFERED FOR
GENERAL BACKGROUND AND GUIDANCE. IT MAY BE READ IN THE
CONTEXT OF REFTEL AND OTHER MESSAGES ON THE SAME SUBJECT
AND YOUR WORK ON GOALS AND OBJECTIVES.

2. THE FORECAST IS DESCRIPTIVE, NOT PRESCRIPTIVE. IT DOES NOT PROPOSE OR ADVOCATE POLICY BUT ATTEMPTS TO CHARACTERIZE THE FOREIGN POLITICAL, ECONOMIC, AND MILITARY ENVIRONMENT IN WHICH POLICY DECISIONS WILL BE MADE AND IMPLEMENTED.

3. THE FORECAST BEGINS WITH A DISCUSSION OF TRENDS BY REGION, DISCUSSES THE INTERNATIONAL ECONOMY, AND PROJECTS LIKELY DEVELOPMENTS IN HUMAN RIGHTS; CONTROL OF TERRORISM, CONVENTIONAL ARMS, AND NUCLEAR PROLIFERATION; EQUITABLE ALLOCATION OF GLOBAL RESOURCES, PARTICULARLY ENERGY AND FOOD; AND SATISFACTION OF BASIC HUMAN NEEDS UNDER CONDITIONS OF RAPID, AND DIFFERENTIAL, POPULATION GROWTH.

4; THE FOLLOWING MAIN POINTS EMERGE:

(A)--THE TREND TOWARD INTERDEPENDENCE AND THE DIFFUSION OF POWER IS ACCELERATING.

(B)--ECONOMIC DEVELOPMENTS ARE INCREASINGLY DOMINATING THE POLITICAL ATMOSPHERE.

(C)--THE EAST-WEST POWER BLOCS CONTINUE AS MAJOR FORCES ON THE WORLD STAGE BUT THE ARRAY OF DEVELOPING COUNTRIES IS GROWING IN INTERNAL DIVERSITY, WITH A GROUP OF SO-CALLED UPPER-TIER COUNTRIES MOVING RAPIDLY INTO POSI-
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TIONS OF GREATER ECONOMIC AND POLITICAL INFLUENCE.

(D)--REGIONAL CONFLICTS CONTAIN THE POTENTIAL FOR BECOMING BROADER CONFRONTATIONS, E.G., ARAB-ISRAELI; SOUTHERN AFRICA; THE HORN OF AFRICA.

5. REGIONAL SURVEY

6. WESTERN EUROPE, WESTERN EUROPE IS LIKELY TO REMAIN PREOCCUPIED WITH ECONOMIC PROBLEMS: CONTAINING INFLATION AND BALANCE OF PAYMENTS DEFICITS WHILE REDUCING UNEMPLOYMENT. PRESSURES TOWARD PROTECTIONISM AND ECONOMIC FRIC- TIONS WITH OUR INDUSTRIALIZED PARTNERS ARE LIKELY TO CONTINUE.

7. MAJOR EUROPEAN STATES WILL CONTINUE TO BE CONCERNED, SIMULTANEOUSLY, OVER THE FUTURE OF DETENTE AND OVER INCREASES IN SOVIET MILITARY MIGHT, PARTICULARLY SOVIET TANK STRENGTH, THE SS-20, AND DEVELOPMENT OF A NEW SOVIET ICBM GENERATION; THE EUROPEANS WILL WATCH US-SOVIET DIS- ARMAMENT TALKS CLOSELY TO SEE THAT THEIR INTERESTS ARE NOT OVERLOOKED. ALLIED AGREEMENT IN PRINCIPLE TO PRO-

SPECTIVE DEPLOYMENT OF ENHANCED RADIATION WEAPONS AND THEIR USE IN DISARMAMENT NEGOTIATIONS WILL BE CONTROVERSIAL IN INTERNAL POLITICS IN SOME COUNTRIES.

8. BECAUSE NO EARLY RESOLUTION OF THE GREEK-TURKISH DISPUTE IS LIKELY, NATO'S SOUTHERN FLANK WILL REMAIN UNSTEADY. GREECE IS UNLIKELY TO RESTORE COMPLETE MILITARY COOPERATION WITH NATO; DELAY IN RESTORING A US MILITARY RELATIONSHIP WITH TURKEY WOULD DELAY MODERNIZATION OF ITS MILITARY ESTABLISHMENT AND ADVERSELY AFFECT NOT ONLY US-TURKISH RELATIONS BUT TURKEY'S NATO ORIENTATION. AT THE SAME TIME, OUR RELATIONS WITH GREECE--AND THE INTERNAL POLITICAL SCENE IN GREECE--WILL REMAIN TROUBLED.

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9. ELECTIONS ARE IN PROSPECT IN ITALY AND THE UK. IN THE LATTER, ECONOMIC ISSUES WILL DOMINATE, BUT ITALY'S SERIOUS STRUCTURAL WEAKNESSES WILL BE SECONDARY TO A POLITICAL STRUGGLE OVER COMMUNIST PARTICIPATION IN GOVERNMENT. TERRORISM COULD FORCE CHANGES IN TODAY'S POLITICAL ALIGNMENTS.

10. ONLY SLIGHT PROGRESS TOWARD INCREASED EUROPEAN INTEGRATION CAN BE EXPECTED, AND SOME RETROGRESSION IS POSSIBLE. THE EC WILL PREPARE FOR DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT, NEGOTIATIONS WILL BEGIN TOWARD BRINGING GREECE, SPAIN, AND PORTUGAL INTO THE EC, BUT FORMIDABLE ECONOMIC PROBLEMS WILL PREVENT EARLY AGREEMENT. COMPETITION IN AGRICULTURAL PRODUCTION AND FEAR OF THE EXPORT OF UNEMPLOYMENT WILL BE DIFFICULT ISSUES.

11. USSR AND EASTERN EUROPE. DESPITE AGREEMENT ON A VARIETY OF ISSUES OF MUTUAL CONCERN, RANGING FROM A POTENTIAL SALT II AND OTHER DISARMAMENT ACCORDS TO EXPANDED EXCHANGE PROGRAMS, THE ATMOSPHERE IS LIKELY TO REMAIN UNEASY. IN ADDITION TO THE IMMEDIATE PROBLEMS POSED BY SOVIET INVOLVEMENT IN AFRICA, SOVIET EXPLOITATION OF OTHER THIRD WORLD OPPORTUNITIES MAY EXACERBATE RELATIONS FURTHER. NEVERTHELESS, EXPECTED CONCRETE PROGRESS ON A VARIETY OF BILATERAL MATTERS WILL TEND TO INSULATE THE POLITICAL ATMOSPHERE AGAINST ANY SHARP DETERIORATION;

12. BUT FAILURE TO CONCLUDE, OR SUBSEQUENT FAILURE TO RATIFY, A SALT II AGREEMENT WOULD SERIOUSLY IMPAIR US/ SOVIET RELATIONS AND EAST-WEST DETENTE GENERALLY; THE SOVIETS INITIALLY WOULD CONTINUE TO MAINTAIN ALTERNATE INTERIM ARRANGEMENTS TO HOLD THE STRATEGIC RELATIONSHIP IN CHECK. BUT POLITICAL PRESSURE FOR ARMS BUILD-UPS

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WOULD INCREASE IN THE USSR TOWARD THE CLOSE OF 1978 AS SOVIET ANNUAL PLAN DECISIONS APPROACH.

13. LEADERSHIP CHANGE IN THE USSR COULD REINFORCE THESE TRENDS OR IMMOBILIZE THE DECISION-MAKING PROCESS IN MOSCOW. OUR BEST GUESS IS THAT THE SUCCESSION, WHEN IT COMES, WILL SLOW DOWN THE DECISION-MAKING PROCESS BUT THAT MOSCOW WILL NOT NEGLECT PERCEIVED TARGETS OF OPPORTUNITY IN THE THIRD WORLD. AT LEAST OVER THE NEAR TERM, WE EXPECT THE INWARD ORIENTATION OF THE SUCCESSOR REGIME WILL BECOME MORE PRONOUNCED; YET, WE ALSO EXPECT THAT THE LONG-TERM TREND IN SOVIET FOREIGN POLICY IS LIKELY TO BE ONE OF CONTINUITY.

14. IN ITS RELATIONS WITH EASTERN EUROPE, WE EXPECT THE USSR TO STRIVE FOR GREATER IDEOLOGICAL CONFORMITY AND FOREIGN POLICY COORDINATION. THE SOVIETS WILL CONTINUE TO FACE THE PROBLEM OF HOW TO SHIFT SOME OF THE BURDEN-SOME ASPECTS OF EAST EUROPEAN ECONOMIC DEPENDENCY ONTO THE WEST WITHOUT JEOPARDIZING THEIR HOLD ON THE AREA. POLAND MAY WELL BE THE MOST DELICATE PROBLEM. WE EXPECT THE SOVIETS TO CONTINUE TO PRESS FOR CLOSER COOPERATION WITH PRO-SOVIET ELEMENTS IN THE ARMED FORCES AND PARTY IN YUGOSLAVIA, ANTICIPATING OPPORTUNITIES WHICH MAY ARISE AFTER TITO'S DEATH.

15. CHINA. THE CHINESE LEADERSHIP WILL CONTINUE TO BE CHARACTERIZED BY DIFFERENCES AMONG THOSE IN POWER BUT ALSO BY CONSENSUS ON THE NEED FOR PRAGMATIC DEVELOPMENT POLICIES. THERE WILL BE ESSENTIAL ADHERENCE TO THE MAO-CHOU FOREIGN POLICY. A DELAY IN NORMALIZATION OF US-PRC RELATIONS IS UNLIKELY TO CAUSE A DETERIORATION IN THE RELATIONSHIP, PROVIDED THAT PEKING BELIEVES THAT THE US REMAINS FIRM AGAINST THE USSR AND ADHERES TO THE SHANGHAI COMMUNIQUE BY NOT ADOPTING ANY VARIANT OF A "TWO-CHINA" POLICY.

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16. PEKING WILL CONTINUE TO CONSIDER MOSCOW ITS PRINCIPAL ADVERSARY AND PURSUE ITS DIPLOMATIC OPPOSITION TO THE USSR AROUND THE WORLD. THE CHINESE, FOR EXAMPLE, SUPPORT ASEAN AND EGYPTIAN INITIATIVES FOR PEACE IN THE MIDDLE EAST AS WAYS OF BLOCKING EXPANSION OF SOVIET INFLUENCE. THE PRC WILL CONTINUE TO VIEW THE US AND THE OECD COUN-

TRIES AS A GLOBAL COUNTERWEIGHT TO THE USSR AND AS A SOURCE OF TRADE AND TECHNOLOGY.

17. WE CAN EXPECT THE PRC TO BE FLEXIBLE IN ITS DEALINGS WITH WARSAW PACT COUNTRIES WITH THE AIM OF TRYING TO WEAKEN THEIR TIES WITH MOSCOW. ALTHOUGH IT WILL CONTINUE TO VOICE "MILITANT SOLIDARITY" WITH THE THIRD WORLD, PEKING WILL ENCOURAGE EUROPEAN COUNTRIES AND REGIONALLY POWERFUL LDCS SUCH AS IRAN AND SAUDI ARABIA TO COUNTER SOVIET INFLUENCE IN THE THIRD WORLD RATHER THAN INCREASE ITS OWN AID TO LDCS.

18. EAST ASIA AND THE PACIFIC. JAPAN WILL REMAIN STABLE POLITICALLY, BUT THE INFLUENCE OF MODERATE OPPOSITION PARTIES WILL INCREASE. ITS MAJOR PROBLEM WILL BE TO ADJUST ITS DOMESTIC ECONOMY AND FOREIGN TRADE TO COPE WITH INTERNATIONAL CRITICISM IN WAYS THAT ARE NOT ECONOMICALLY DESTABILIZING AND POLITICALLY UNPOPULAR AT HOME. JAPAN WILL HAVE TROUBLE MEETING THE GROWTH GOALS IT HAS SET WHILE REDUCING THE TRADE IMBALANCES THAT ARE OF CONCERN TO THE US. SECURITY TIES BETWEEN JAPAN AND THE US WILL REMAIN BINDING, AND JAPAN, WITH US ENCOURAGEMENT, WILL GRADUALLY IMPROVE ITS OWN DEFENSE CAPABILITY.

19. SOUTH KOREA WILL CONTINUE ITS REMARKABLE ECONOMIC MODERNIZATION AND BECOME INCREASINGLY SELF-RELIANT. US SECRET

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TIES WITH SOUTH KOREA WILL PROBABLY REMAIN CLOSE DESPITE STRAINS CAUSED BY CONGRESSIONAL INVESTIGATIONS OF KOREAN INFLUENCE BUYING, HUMAN RIGHTS ISSUES, AND TROOP WITHDRAWAL AND COMPENSATION ARRANGEMENTS.

20. IN NORTH KOREA, ECONOMIC PROBLEMS WILL FORCE RETRENCHMENT, REQUIRING HARD BUDGET CHOICES BETWEEN ECONOMIC DEVELOPMENT AND THE MILITARY. BARRING UNEXPECTED SERIOUS INSTABILITY IN THE SOUTH, THE NORTH PROBABLY WILL REFRAIN FROM ATTACK OR PROVOCATION OVER THE DMZ.

21. ASEAN MUTUAL COOPERATION WILL EXPAND DESPITE POSSIBLE LEADERSHIP CHANGES IN INDONESIA AND MALAYSIA. RELATIONS WITH THE US SHOULD CONTINUE TO BE FRIENDLY BUT MAY BE STRAINED PERIODICALLY BY HUMAN RIGHTS ISSUES. THERE WILL BE A CONTINUED WARINESS OF THE LONG-TERM INTENTIONS OF CHINA, VIETNAM, AND THE USSR IN SPITE OF GRADUAL ATTEMPTS TO IMPROVE FORMAL RELATIONS WITH THESE COUNTRIES.

22. THE INDOCHINA STATES WILL BE PREOCCUPIED BY INTERNAL DEVELOPMENTS, ESPECIALLY FOOD PROBLEMS, AND WITH FRICTIONS OVER BORDERS. TENSION BETWEEN VIETNAM AND CHINA--PARTICU-

LARLY OVER CAMBODIA--WILL CONTINUE BUT AN OPEN BREAK IS UNLIKELY, UNLESS HANOI LAUNCHES A MAJOR MILITARY EFFORT TO TOPPLE CAMBODIA BY FORCE.

23. AUSTRALIA AND NEW ZEALAND WILL CONTINUE TO BE POLITICALLY STABLE UNDER GOVERNMENTS FRIENDLY TO THE US BUT WILL BE CONCERNED OVER INTERNATIONAL TRADE RELATIONS AND ANY CONTINUED DETERIORATION IN THE DOLLAR.

24. SOUTH ASIA. THE CENTRAL CONCERNS ACROSS SOUTH ASIA WILL CONTINUE TO BE ECONOMIC DEVELOPMENT AND TRADITIONAL BALANCE-OF-POWER CALCULATIONS AND SECURITY INTERESTS. PAKISTAN AND BANGLADESH, IN PARTICULAR, ARE LIKELY TO FACE POLITICAL UNREST AS MILITARY GOVERNMENTS TRY TO
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COPE WITH THESE PROBLEMS.

25. PAKISTANI NEGOTIATIONS WITH FRANCE OVER A REPROCESSING FACILITY AND INDIA'S POSITION ON NUCLEAR SAFEGUARDS WILL POSE DIFFICULT POLICY DECISIONS. INDIA'S INTEREST IN A NEW ADVANCED FIGHTER AIRCRAFT COULD FUEL A NEW ROUND OF THE REGIONAL ARMS RACE. INDIAN-CHINESE RELATIONS ARE LIKELY TO IMPROVE, BUT AT A DELIBERATE RATE.

26. MIDDLE EAST AND PERSIAN GULF. THE SEARCH FOR AN ARAB-ISRAELI SETTLEMENT WILL CONTINUE TO SHAPE EVENTS IN THE MIDDLE EAST. THERE IS DISILLUSIONMENT IN BOTH EGYPT AND ISRAEL, AND THROUGHOUT THE ARAB WORLD, OVER THE LACK OF PROGRESS IN THE PEACE EFFORT. A SIGNIFICANT BREAKTHROUGH WILL BE NECESSARY IN THE NEAR FUTURE IF SADAT IS TO BE ABLE TO CONTINUE TO NEGOTIATE WITH ISRAEL. TOWARD THIS END, HE AND THE ARAB MODERATES WILL CONTINUE TO PRESS THE US TO INFLUENCE ISRAEL TO MAKE CONCESSIONS THAT WILL SUSTAIN THE PEACE PROCESS.

27. IF THE SADAT INITIATIVE FAILS, WE CAN EXPECT SERIOUS REPERCUSSIONS IN THE REGION: A SHIFT BY SADAT TOWARD A MORE BELLICOSE STANCE VIS-A-VIS ISRAEL, POSSIBLE REPLACEMENT OF SADAT BY A MORE RADICAL AND UNFRIENDLY EGYPTIAN REGIME, DISILLUSIONMENT AND BITTERNESS ON THE PART OF ARAB MODERATES, AND THE STRENGTHENING OF REJECTIONIST AND SOVIET INFLUENCE IN THE AREA.

28. IN ISRAEL, DEPENDING ON HOW THE ISRAELI PUBLIC PERCEIVE IT, THE COLLAPSE OF NEGOTIATIONS COULD HAVE A UNIFYING OR A DIVISIVE IMPACT ON THE POLITICAL SCENE: THERE COULD BE A RALLYING AROUND THE GOVERNMENT AS AN ACT OF DEFENSIVE SOLIDARITY OR MOUNTING PRESSURE FOR A GOVERNMENT
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OF NATIONAL UNITY UNDER NEW LEADERSHIP. IN ANY CASE, PRIME MINISTER BEGIN'S DEPARTURE FROM POLITICS FOR HEALTH OR POLITICAL REASONS IS A STRONG POSSIBILITY OVER THE NEXT YEAR OR SO. IT COULD HAPPEN CONSIDERABLY SOONER IF THE ISRAELI PUBLIC WERE TO HOLD HIM LARGELY RESPONSIBLE FOR A SERIOUS DETERIORATION IN THE US-ISRAELI RELATIONSHIP.

29. SHOULD THE PEACE PROCESS FAIL, THE US IS LIKELY TO BE BLAMED, REGARDLESS OF THE REASONS FOR THE FAILURE ITSELF, AND US RELATIONS WITH KEY COUNTRIES IN THE REGION WILL SUFFER. RENEWED HOSTILITIES ON A LARGE SCALE COULD NOT BE RULED OUT--IF THE ARABS AGAIN FELT CAPABLE OF CHALLENGING ISRAEL MILITARILY, OR IF THEY FELT THAT MILITARY ACTION WAS THE ONLY WAY IN WHICH TO GALVANIZE THE PEACE PROCESS, OR IF THE ISRAELIS CONSIDERED THAT THEIR SECURITY DEPENDED ON A PREEMPTIVE STRIKE.

30. LEBANON WILL REMAIN AN AREA OF CHRONIC INSTABILITY AND VIOLENCE, OWING TO THE LACK OF POLITICAL CONSENSUS AND THE CONTINUING PRESENCE OF LARGE NUMBERS OF ARMED PALESTINIANS.

31. PROSPECTS FOR CONTINUED PEACE AND STABILITY IN THE GULF ARE FAVORABLE, DESPITE GROWING FERMENT IN IRAN. SHORT OF ANOTHER ARAB/ISRAELI WAR, WE DO NOT EXPECT A DISRUPTION OF OIL SUPPLIES, ALTHOUGH TERRORIST ACTION COULD CAUSE SERIOUS SHORT-TERM DISRUPTIONS OF THE OIL FLOW. BUT IF THE PEACE INITIATIVE FAILS AND IF CONGRESS DENIES F-15'S TO SAUDI ARABIA, THE SAUDIS MAY STOP TRYING TO HOLD THE LINE ON OIL PRICES AND COULD EITHER CURTAIL, OR AT LEAST REFUSE TO EXPAND, PRODUCTION.

32. AN UNCERTAIN FACTOR IS THE DEGREE OF SOVIET/CUBAN SUPPORT FOR REGIONAL SOURCES OF INSTABILITY IN THE PDREY, OMAN, AND OTHER FUTURE "TARGETS OF OPPORTUNITY." SAUDI AND IRANIAN CONCERN AND COOPERATION IN RESPONDING TO SUCH PRESSURES IS LIKELY TO GROW.

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33. AFRICA. THE CRISES IN SOUTHERN AFRICA AND PERSISTENT INSTABILITY IN THE HORN, ALONG WITH THE SIMMERING SITUATION IN THE WESTERN SAHARA, WILL CONTINUE TO DOMINATE THE AFRICAN SCENE. IN SOUTHERN AFRICA, THE TRANSITIONS TO MAJORITY GOVERNMENT IN RHODESIA AND NAMIBIA WILL REMAIN ON CENTER STAGE.

34. IN RHODESIA, SMITH AND THE "INTERNAL NATIONALISTS" HAVE LAUNCHED THE INTERNAL SETTLEMENT, BUT WHETHER THIS WILL CREATE A COHESIVE, STABLE REGIME IS OPEN TO SERIOUS QUESTION. SINCE ONLY SOME OF THE PARTIES ARE INVOLVED, THE NEW ARRANGEMENTS MAY INCREASE THE ALREADY HIGH RISK OF CIVIL WAR. IN NAMIBIA, A SOUTH AFRICAN DECISION TO PROCEED ON THE "INTERNAL TRACK" AND ABANDON THE NEGOTIATIONS WITH THE CONTACT GROUP WILL LEAD TO NEW PRESSURES FOR INTERNATIONAL SANCTIONS AGAINST PRETORIA.

35. IN THE HORN, NOW THAT SOMALIA HAS BEEN DEFEATED BY COMBINED ETHIOPIAN-CUBAN FORCES, THE SOVIETS MAY TRY TO USE THEIR LEVERAGE ON ADDIS ABABA TO REGAIN THEIR FORMER POSITION IN SOMALIA AND ACHIEVE PREDOMINANT INFLUENCE IN BOTH STATES. EVEN IF MOSCOW IS UNSUCCESSFUL, SOVIET AND CUBAN INFLUENCE WILL PROBABLY BE IN THE ASCENDANCY IN ETHIOPIA FOR THE FORESEEABLE FUTURE. IT SEEMS LIKELY, FOR EXAMPLE, THAT BOTH COUNTRIES WILL HELP ADDIS ABABA RECONQUER ERITREA FROM THE INSURGENTS. THE STABILITY OF THE NEW STATE OF DJIBOUTI IS IN DOUBT AND WILL BE AFFECTED BY FRENCH WILLINGNESS TO MAINTAIN A MILITARY PRESENCE THERE.

36. IN THE WESTERN SAHARA, THE LIKELIHOOD OF AN EARLY POLITICAL SOLUTION OF THE CONFLICT APPEARS REMOTE. THE
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ALGERIAN-BACKED SAHARAN INDEPENDENCE MOVEMENT WILL BE UNABLE TO MAKE SIGNIFICANT GAINS SO LONG AS THE MOROCCO-MAURITANIAN ALLIANCE RECEIVES SIGNIFICANT MILITARY ASSISTANCE FROM FRANCE. THE SOVIET UNION, WHILE REMAINING PUBLICLY NEUTRAL IN THE DISPUTE, WILL CONTINUE TO SUPPLY ALGERIA WITH LARGE QUANTITIES OF SOPHISTICATED WEAPONS.

37. IN A NUMBER OF OTHER AFRICAN COUNTRIES, CHRONIC PRESSURES AND POLITICAL TENSIONS COULD ERUPT SUDDENLY

OVER THE NEXT 18 MONTHS AND CREATE NEW AREAS OF TENSION, AS A RESULT OF SUCH DEVELOPMENTS AS THE DEATH OF KENYATTA, NYERERE, OR IDI AMIN; LIBYAN-BACKED INSURRECTIONS IN CHAD; RIVALRIES BETWEEN MALI AND UPPER VOLTA; ECONOMIC COLLAPSE IN ZAIRE.

38. WESTERN HEMISPHERE. ATTENTION IS LIKELY TO FOCUS AGAIN ON MUTUAL ECONOMIC CONCERNS OF A REGIONAL AND GLOBAL NATURE ONCE THE CANAL ISSUE IS RESOLVED. MILITARY CONFLICT OVER LONG-STANDING BORDER AND TERRITORIAL DISPUTES BETWEEN PERU, CHILE, AND BOLIVIA; BETWEEN PERU AND ECUADOR;

BETWEEN SALVADOR AND HONDURAS; BETWEEN ARGENTINA AND CHILE; AND BETWEEN AN INDEPENDENT BELIZE AND GUATEMALA ARE UNLIKELY BUT CANNOT BE RULED OUT. AS THE SOMOZA REGIME IN NICARAGUA TRIES TO MAINTAIN INTERNAL CONTROL, GUERRILLA OPERATIONS BASED IN COSTA RICA MAY PRECIPITATE CONFLICT BETWEEN THOSE TWO COUNTRIES AS WELL.

39. HUMAN RIGHTS WILL REMAIN A SOURCE OF CONTROVERSY IN US BILATERAL RELATIONS WITH THE MILITARY GOVERNMENTS OF SUCH COUNTRIES AS ARGENTINA, CHILE, URUGUAY, PARAGUAY, AND EL SALVADOR. MEANWHILE, HUMAN RIGHTS PROPONENTS OUTSIDE GOVERNMENT, PARTICULARLY IN BRAZIL, WILL CONTINUE TO DRAW ENCOURAGEMENT FROM THE US HUMAN RIGHTS POLICY AND ATTEMPT TO INVOLVE THE US IN PRESSURING THEIR GOVERNMENTS.

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40. US OBJECTIVES IN THE NUCLEAR NON-PROLIFERATION AREA WILL CONTINUE TO FACE STIFF OPPOSITION IN ARGENTINA AND BRAZIL BECAUSE OF EACH COUNTRY'S ANTICIPATED RESOURCE NEEDS AND DEEP POLITICAL COMMITMENT TO NUCLEAR INDEPENDENCE. ALTHOUGH NEITHER COUNTRY APPEARS WILLING TO DEFER ITS REPROCESSING PLANS, ARGENTINA APPEARS WILLING TO MOVE TOWARD US OBJECTIVES.

41. SEVERAL MILITARY GOVERNMENTS MAY COME TO AN END. THE SOMOZA REGIME IN NICARAGUA IS UNDER SEVERE PRESSURE FROM THE OPPOSITION. ECUADOR AND BOLIVIA ARE SCHEDULED TO HOLD PRESIDENTIAL ELECTIONS, AND PERU IS SCHEDULED TO ELECT A CONSTITUENT ASSEMBLY IN 1978. MILITARY RULERS IN ARGENTINA, CHILE, AND URUGUAY ARE PUBLICLY COMMITTED TO THE EVENTUAL RESTORATION OF CIVILIAN CONTROL BUT ONLY THE URUGUAYAN MILITARY IS OPENLY DISCUSSING PLANS FOR HOLDING ELECTIONS BY 1981.

42. IN CANADA, SEPARATIST AND DEVOLUTION PRESSURES WILL PERSIST, AS WILL CONCERN ABOUT POSSIBLE US DOMINATION OF THE CANADIAN ECONOMY. HOWEVER, WE DO NOT FORESEE ANY SIGNIFICANT CHANGE IN US-CANADIAN RELATIONS.

43. THE INTERNATIONAL ECONOMY

44. TRADE, CREDIT, AND ECONOMIC GROWTH. WE DO NOT EXPECT ANY SERIOUS CHANGES IN MAJOR ECONOMIC TRENDS, BUT THE FUNDAMENTAL PROBLEMS OF ADJUSTMENT FACING THE WORLD ECONOMY ARE UNLIKELY TO BE RESOLVED OVER THE NEAR TERM.

45. THE AMERICAN ECONOMY IS EXPECTED TO GROW AT A RATE OF ABOUT 4.5 PERCENT PER YEAR, BUT A BIG TRADE DEFICIT IS

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INEVITABLE FOR 1978 AND, WITH IT, CONTINUED AND TROUBLE-SOME WEAKNESS OF THE DOLLAR. BY THE END OF 1978, THE US TRADE BALANCE MAY IMPROVE, WITH THE TRADE EFFECTS OF DOLLAR DEPRECIATION APPEARING IN THE THIRD QUARTER. MORE-OVER, IF THE BONN ECONOMIC SUMMIT PLANNED FOR JULY TAKES PLACE, RENEWED EMPHASIS WOULD BE PLACED ON REFLATIONARY MEASURES. MEANWHILE, ENERGY LEGISLATION THAT WOULD LIMIT MEDIUM-TERM IMPORTS OF PETROLEUM MAY CONTRIBUTE TO GREATER STABILIZATION OF THE DOLLAR.

46. THE JAPANESE TRADE AND CURRENT ACCOUNT SURPLUSES WILL CONTINUE TO SERIOUSLY COMPLICATE JAPAN'S RELATIONS WITH THE US AND THE EC. THE LAGGING GROWTH PERFORMANCE OF THE FRG IS EXPECTED TO CONTINUE, AND BONN WILL PROBABLY DO LITTLE TO SPEED UP ECONOMIC ACTIVITY IN ANY WAY WHICH MIGHT INCREASE INFLATIONARY PRESSURES OR CREATE DOMESTIC POLITICAL PROBLEMS. THE PERFORMANCE OF THE OTHER MAJOR ECONOMIES OF THE OECD WILL NOT CHANGE MARKEDLY IN 1978 AS FEAR OF INFLATION REMAINS A MAJOR OBSTACLE TO DECISIVE MOVEMENTS TOWARD STIMULUS.

47. UNEMPLOYMENT WILL CONTINUE TO INCH UP THROUGHOUT WESTERN EUROPE AND GENERATE DOMESTIC PRESSURE FOR THE CONSERVATION OF EXISTING JOBS ALONG WITH PRESSURES FOR ECONOMIC STIMULUS. MANAGEMENT OF PROTECTIONISM WILL REMAIN A MAJOR CONCERN OF THE LEADING INDUSTRIAL COUNTRIES.

48. IRAN AND SAUDI ARABIA ARE EXPECTED TO HOLD OIL PRICES STEADY IN 1978, BARRING FURTHER WEAKENING OF THE DOLLAR OR NEGATIVE DEVELOPMENTS IN THE MIDEAST. ALTHOUGH MODERATE PRICE INCREASES IN 1979 CAN BE ANTICIPATED ON THE BASIS OF CURRENT SAUDI ATTITUDES AND THE DESIRES OF OTHER OPEC MEMBERS, THESE WILL DEPEND, IN TURN, ON AN IMPROVEMENT OF OIL MARKET CONDITIONS, AND THIS CANNOT NOW BE PREDICTED WITH CONFIDENCE. THE OPEC MONETARY SURPLUS WILL CONTINUE TO DECREASE IN ABSOLUTE TERMS AND WILL BE

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ABSORBED WITH LITTLE DIFFICULTY.

49. IN EASTERN EUROPE, HARD CURRENCY DEBT WILL CONTINUE TO INCREASE. THE MOST SERIOUS PROBLEM IS POLAND'S HARD CURRENCY DEBT, CURRENTLY ESTIMATED AT DOLS 13 BILLION, AND A SOURCE OF PARTICULAR CONCERN TO WESTERN CREDITORS. WHILE POLAND APPARENTLY DOES NOT INTEND TO ASK FOR WESTERN

ASSISTANCE IN THE FORM OF COMPREHENSIVE, FORMAL DEBT RESCHEDULING AT THIS TIME, PRESSURES FOR A SHIFT IN THIS POLICY COULD GROW IN THE NEXT YEAR.

50. SOVIET ECONOMIC GROWTH WILL APPARENTLY LAG BEHIND THE PACE CALLED FOR IN THE 10TH FIVE-YEAR PLAN (1976-80). IN INDUSTRY, PRODUCTION IS SCHEDULED TO INCREASE BY ONLY 4.5 PERCENT IN 1978, VS. THE AVERAGE ANNUAL RATE OF OVER 7 PERCENT REQUIRED IN 1978-80 TO MEET THE PLAN TARGET. IN THE WAKE OF THE ECONOMY'S DISAPPOINTING PERFORMANCE IN 1977, THE LEADERSHIP HAS BEEN STRESSING THE NEED TO RAISE EFFICIENCY AND PRODUCTIVITY--BUT WITHOUT OFFERING ANY CONCRETE REFORMS.

51. AS FOR US-SOVIET TRADE, THE LATTER HALF OF 1977 SAW A RESUMPTION OF HEAVY SOVIET GRAIN PURCHASES. HOWEVER, THE US--WITH ITS FARMERS SEEKING MARKETS FOR A BUMPER CROP--IS NOT IN A POSITION TO USE GRAIN SALES AS A DIPLOMATIC BARGAINING TOOL. WHILE FUTURE GRAIN TRADE CANNOT BE FORECAST ACCURATELY, THE PRESENCE OF THE JACKSON-VANIK AMENDMENT WILL LIMIT SHARPLY INCREASED TRADE IN MANUFACTURES. IN ANY EVENT, US OPPORTUNITIES TO EXERT ECONOMIC LEVERAGE ON THE USSR, THROUGH GRAIN OR OTHER MEANS, ARE LIMITED AT BEST.

52. NORTH-SOUTH RELATIONS. THE ECONOMIC DIALOGUE
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BETWEEN NORTH AND SOUTH WILL INVOLVE NEGOTIATION ON SPECIFIC ISSUES--DEBT, THE COMMON FUND, SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES IN THE TRADE NEGOTIATIONS, AND ARRANGEMENTS FOR PARTICULAR COMMODITIES. G-77 COHESION DIFFERS ON THESE ISSUES, SOMETIMES FORCING THEM TO LOWEST COMMON DENOMINATOR POSITIONS. THIS COMPLICATES RESOLUTION OF THE ISSUES AND INCREASES PRESSURES ON THE US TO MAKE DIFFICULT CONCESSIONS ON SPECIFIC ASPECTS OF THE NEGOTIATIONS.

53. THE NEWLY FORMED UN COMMITTEE OF THE WHOLE, CREATED TO MONITOR AND OVERSEE THE FUTURE COURSE OF NORTH/SOUTH DELIBERATIONS, MAY POLITICIZE CONSIDERATION OF ISSUES, AND UNCTAD V, SCHEDULED TO CONVENE IN MID-1979, MAY BE THE NEXT MAIN FOCAL POINT TOWARD WHICH MANY DISCUSSIONS WILL BE DIRECTED. THE WIDE GAP BETWEEN THE POSITIONS OF THE G-77 AND THE DEVELOPED COUNTRIES ON CURRENT ISSUES IS NOT LIKELY TO BE BRIDGED IN THE NEXT YEAR. MEANWHILE, THE CURRENTLY SCHEDULED 1979 WORLD ADMINISTRATIVE RADIO CONFERENCE MAY ALSO BECOME AN ARENA FOR CONFLICTING NORTH-SOUTH VIEWPOINTS.

54. DEVELOPING COUNTRIES. THE NON-OIL DEVELOPING COUNTRIES WILL PROBABLY GROW IN 1978 AT A RATE SOMEWHAT BELOW THE 5-PERCENT LEVEL OF 1977. THIS REDUCED GROWTH RATE REFLECTS THE SLOWER GROWTH OF THE INDUSTRIAL COUNTRIES AS WELL AS THE EFFECT OF IMPORT RESTRAINTS IMPOSED IN RECENT YEARS. AFTER TWO YEARS OF IMPROVEMENT FROM THE VERY LARGE DEFICIT OF 1975, THE OVERALL CURRENT ACCOUNT DEFICIT OF THE OIL-IMPORTING LDCS IS EXPECTED TO INCREASE. EXPORT GROWTH WILL FALTER, TERMS OF TRADE WILL WORSEN SOMEWHAT, AND IMPORTS WILL INCREASE, ESPECIALLY IN THE UPPER-TIER LDCS.

55. SOME OF THE ADDITIONAL FINANCING NEEDED TO OFFSET THE LARGER CURRENT ACCOUNT DEFICIT OF THESE LDCS WILL PROBABLY
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BE PROVIDED BY MODERATE INCREASES IN OFFICIAL DEVELOPMENT ASSISTANCE, BY PRIVATE INVESTMENT, AND BY CONTINUED BORROWING ON PRIVATE CAPITAL MARKETS. NONETHELESS, A DRAW-DOWN OF RESERVES BUILT UP BY LDCS IN 1976 AND 1977 TO FINANCE DEFICITS IS LIKELY. CRITICAL DEBT AND BALANCE OF PAYMENTS PROBLEMS ARE ANTICIPATED FOR ONLY A FEW LDCS, BUT SEVERAL WILL HAVE TO CONTINUE PAINFUL ADJUSTMENT POLICIES.

56. FUNDS AVAILABLE TO SUPPORT DEVELOPING COUNTRIES WILL INCREASE. DONORS WILL CONSIDER BOTH AN INCREASE IN GENERAL CAPITAL, WHICH WOULD DOUBLE THE IBRD'S RESOURCES, AND A NEW IDA REPLENISHMENT.

57. APART FROM THIS, THE WORLD BANK GROUP'S LENDING WILL CONTINUE TO EXPAND, THOUGH AT A LOWER RATE THAN IN THE PAST. SELECTIVE INCREASES IN SUBSCRIPTIONS TO CAPITAL STOCK DECIDED ON IN MAY 1977 WILL ADD DOLS 8 BILLION TO THE IBRD'S AUTHORIZED CAPITAL OF DOLS 41 BILLION.

58. IMF LENDING CAPACITY WILL BE INCREASED BY THE DOLS 10 BILLION SUPPLEMENTARY FINANCING FACILITY (WITTEVEEN FACILITY), WHICH WILL REPLENISH THE IMF'S RESOURCES AVAILABLE FOR LOANS TO ASSIST MEMBERS WITH BALANCE OF PAYMENTS PROBLEMS. IMF RESOURCES SHOULD INCREASE BY AN ADDITIONAL DOLS 11 BILLION THROUGH ANTICIPATED QUOTA INCREASES. IN ADDITION, SEVERAL OECD COUNTRIES PLAN TO INCREASE THEIR BILATERAL DEVELOPMENT ASSISTANCE PROGRAMS.

59. LAW OF THE SEA. THE THIRD UN LAW OF THE SEA CONFERENCE IS CURRENTLY ENTERING A CRITICAL STAGE IN THE NEGOTIATIONS. THE SCHEDULED MARCH-MAY 1978 SESSION IN GENEVA MAY EITHER MARK THE END OF THE FORMAL NEGOTIATING PROCESS IN THIS FORUM OR THE BEGINNING OF ACCELERATED
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NEGOTIATIONS THAT MAY LEAD TO ULTIMATE COMPROMISE AND SUCCESS. IF THE NEGOTIATIONS BREAK DOWN, THE US WILL HAVE TO INSTITUTE POLICIES TO PROTECT ITS NATIONAL INTERESTS IN A NUMBER OF WAYS, INCLUDING SPECIFIC REGIONAL AND FUNCTIONAL AGREEMENTS ADDRESSED TO LOS ISSUES. IF PROGRESS IS MADE OR A BASIC COMPROMISE IS REACHED, HOWEVER, IT MAY PAVE THE WAY FOR PRACTICAL AGREEMENTS WITH THE MODERATE LDCS OR OTHER NORTH-SOUTH ISSUES AND REDUCE THE IDEOLOGICAL ELEMENT IN RELATED NEGOTIATIONS.

60. GLOBAL ISSUES

61. HUMAN RIGHTS. THE SOVIET UNION PROBABLY WILL CONTINUE TO DEAL HARSHLY WITH DISSIDENTS THROUGH VOLUNTARY AND INVOLUNTARY EXILE, PUBLIC TRIALS, ECONOMIC PRESSURES, HARASSMENT, AND FIRM POLICE ACTION. THE EXTENT OF RESTRAINT EXERCISED BY THE SOVIET GOVERNMENT WILL LARGELY BE DETERMINED BY ITS PERCEPTION OF DAMAGE TO ITS IMAGE AND RELATIONS WITH THE WESTERN DEMOCRACIES. MOST WESTERN GOVERNMENTS WILL SUPPORT US INITIATIVES IN INTERNATIONAL FORUMS WHILE RESISTING ACTIONS THAT THEY FEAR WOULD UNDERMINE EAST-WEST DETENTE. IN MUCH OF THE THIRD WORLD, RIGHTS OF THE GROUP AND CONCERN WITH THE SATISFACTION OF BASIC HUMAN NEEDS WILL CONTINUE TO TAKE PRIORITY OVER INDIVIDUAL POLITICAL, LEGAL, AND CIVIL RIGHTS AS WE KNOW THEM.

62. AUTHORITARIAN REGIMES OF BOTH THE LEFT AND THE RIGHT WILL CONTINUE TO JUSTIFY THEIR METHODS OF GOVERNMENT ON IDEOLOGICAL, RELIGIOUS, AND SECURITY GROUNDS. HOWEVER, SOME GOVERNMENTS WILL CONTINUE TO CARRY OUT LIMITED REFORMS, ESPECIALLY WITH REGARD TO THE TREATMENT OF POLITICAL PRISONERS. NEVERTHELESS IN MOST COUNTRIES WE ANTICIPATE A SLOW BUT STEADY IMPROVEMENT IN THE AREA OF GROSS VIOLATION OF PERSONAL RIGHTS, INCLUDING TORTURE, KIDNAPING, AND ARBITRARY IMPRISONMENT.

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63. THE US ARTICULATION OF ITS HUMAN RIGHTS POLICY HAS GIVEN ENCOURAGEMENT TO OPPOSITION GROUPS IN MANY COUNTRIES THAT ARE CURRENTLY UNDER AUTHORITARIAN RULE. EVEN HALTING AND PARTIAL REFORMS IN RESPONSE TO US AND INTERNATIONAL PRESSURE CAN HAVE THE EFFECT OF RELEASING UNDERLYING FORCES FOR POLITICAL AND SOCIAL CHANGE. WHEN THIS OCCURS,

THE GOVERNMENTS IN QUESTION WILL BE CONFRONTED WITH THE DILEMMA OF CHOOSING BETWEEN FURTHER REFORMS OR RENEWED REPRESSION OF POPULAR DISCONTENT.

64. TERRORISM. THE PRESENT PATTERN OF BOMBINGS, KIDNAPPINGS, ASSASSINATIONS, ARMED ATTACKS, AND HIJACKINGS IS UNLIKELY TO ABATE. LIBYA, IRAQ, SOUTH YEMEN, AND ALGERIA WILL CONTINUE TO PROVIDE SUPPORT TO SEVERAL KEY TERRORIST GROUPS AND ANARCHIST GROUPS IN ITALY AND GERMANY WILL CONTINUE TO BE ACTIVE, AS WILL IRA AND PROTESTANT TERRORISTS IN NORTHERN IRELAND.

65. SOME PROGRESS WILL BE ACHIEVED IN DEVISING MORE EFFECTIVE INTERNATIONAL COUNTERTERRORISM MEASURES. NEVERTHELESS, DIFFERING MORAL AND POLITICAL PERSPECTIVES WILL STILL INHIBIT THESE EFFORTS. MANY STATES WILL REMAIN RELUCTANT TO COMMIT THEMSELVES TO ANY COURSE OF ACTION THAT MIGHT INVITE RETRIBUTION EITHER BY TERRORIST GROUPS OR BY STATES SYMPATHETIC TO THE TERRORIST CAUSE.

66. CONVENTIONAL ARMS RESTRAINT. THE OUTLOOK IS NOT PROMISING FOR A SIGNIFICANT CURTAILMENT OF THE FLOW OF CONVENTIONAL ARMS TO THE THIRD WORLD. MULTILATERAL COOPERATION TOWARD ARMS SALES RESTRAINT AMONG THE PRODUCING COUNTRIES IS DIFFICULT TO ACHIEVE BECAUSE OF A COMBINATION OF ECONOMIC SELF-INTEREST AND SKEPTICISM ABOUT THE LIKELI-
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HOOD OF SUBSTANTIAL US ARMS SALE REDUCTIONS. BARRING UNLIKELY SOVIET AGREEMENT TO ARMS SUPPLY RESTRAINT, MOST WESTERN ARMS PRODUCERS FEAR THAT COOPERATION WITH THE US IN RESTRAINT WOULD PROVIDE THE SOVIETS THE OPPORTUNITY TO FILL THE GAP AND THEREBY EXTEND ITS POLITICAL INFLUENCE AMONG LESS DEVELOPED COUNTRIES EVEN FURTHER.

67. THE HIGH DEMAND FOR ARMAMENTS IS LIKELY TO CONTINUE IN THE THIRD WORLD, EVEN AMONG THE MOST TECHNOLOGICALLY BACKWARD OF THE DEVELOPING COUNTRIES. ASPIRATIONS FOR POLITICAL PRESTIGE AS WELL AS INTERNAL AND EXTERNAL THREATS, REAL OR IMAGINED, WILL CONTINUE TO BE MOTIVATING FACTORS. THE INCREASED ABILITY OF THE UPPER TIER LDCS-- E.G., INDIA AND BRAZIL--TO PRODUCE ARMS NOT ONLY FOR THEIR OWN USE BUT ALSO FOR EXPORT TO OTHER LDCS WILL BEAR WATCHING.

68. ARMS CONTROL NEGOTIATIONS. PROSPECTS ARE GOOD FOR THE SUCCESSFUL COMPLETION OF A SALT II AGREEMENT AND FOR THE CONCLUSION OF A COMPREHENSIVE TEST BAN TREATY (CTB), BUT THE MBFR AND INDIAN OCEAN ARMS LIMITATION TALKS MAY WELL REMAIN STALEMATED BARRING CURRENTLY UNFORESEEN

DEVELOPMENTS.

69. AT MBFR, A NEW WESTERN INITIATIVE COULD REVIVE THE NEGOTIATIONS SOMEWHAT, BUT THE SOVIETS THUS FAR SHOW NO SIGNS OF ACCEPTING THE ASYMMETRICAL REDUCTIONS FAVORED BY THE WEST. IT IS DOUBTFUL THAT THERE WILL BE MUCH PROGRESS WITHOUT A MAJOR POLITICAL INPUT FROM BOTH SIDES, PERHAPS FOLLOWING A SALT II AGREEMENT.

70. THE INDIAN OCEAN ARMS LIMITATIONS TALKS HAVE BEEN COMPLICATED BY EVENTS IN THE HORN OF AFRICA. OTHERWISE, THERE WOULD BE A GOOD CHANCE OF REACHING AGREEMENT IN THE FIRST PHASE OF THE NEGOTIATION, WHICH IS AIMED TOWARD STABILIZATION OF THE PRESENT US AND SOVIET FORCE LEVELS.

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71. THE UN SPECIAL SESSION ON DISARMAMENT (SSOD), SCHEDULED FOR MAY-JUNE 1978, IS LIKELY TO BE ONLY THE

FIRST OF A SERIES OF SUCH UN CONFERENCES OVER THE COMING YEAR. REGARDLESS OF THE OUTCOME OF THE SSOD, WE CAN EXPECT GROWING NON-ALIGNED PRESSURE FOR PROGRESS BY THE SUPERPOWERS TOWARD DISARMAMENT. THE SOVIETS WILL EMPHASIZE DISARMAMENT PROPOSALS FOCUSING ON ACTION BY OTHERS OR DESIGNED TO DEFLECT LDC CRITICISM AWAY FROM THEMSELVES.

72. NUCLEAR NON-PROLIFERATION. EXCEPT FOR THE SPECIAL CASE OF SOUTH AFRICA, THE NEXT 18 MONTHS PROMISE TO BE A PERIOD OF WAIT-AND-SEE FOR MOST COUNTRIES OF CONCERN TO THE US NON-PROLIFERATION INTEREST. OTHER COUNTRIES WILL BE WAITING TO SEE: (1) THE FINAL SHAPE OF US NUCLEAR EXPORT LEGISLATION AND THE WAY IT WILL BE APPLIED; (2) THE RESULTS OF THE CURRENT STUDIES OF THE NUCLEAR FUEL CYCLE, THE OUTCOME OF WHICH WILL HAVE MAJOR RAMIFICATIONS FOR US NON-PROLIFERATION POLICY; AND (3) THE RESULTS OF CTB AND OTHER ARMS CONTROL NEGOTIATIONS, CURRENTLY VIEWED BY THE NON-NUCLEAR STATES AS A TEST OF THE INTENTIONS OF THE SUPERPOWERS TO LIVE UP TO THEIR NPT OBLIGATION TO WORK TOWARD THE CONTROL OF VERTICAL AS WELL AS HORIZONTAL NUCLEAR PROLIFERATION.

73. WE SEE NO NEW EVIDENCE TO INDICATE THAT PRETORIA PLANS TO CONDUCT A NUCLEAR TEST IN THE NEAR FUTURE. NEVERTHELESS, THE SOUTH AFRICANS HAVE ACCELERATED ACTIVITIES AIMED AT INCREASING THEIR NUCLEAR SELF-SUFFICIENCY IN ORDER TO REDUCE THEIR VULNERABILITY TO SANCTIONS IF THEY WERE TO TEST A NUCLEAR DEVICE.

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74. GLOBAL RESOURCES. OIL SUPPLIES WILL PROBABLY REMAIN IN SUBSTANTIAL SURPLUS OVER DEMAND THROUGH 1978 AND INTO 1979--PARTICULARLY IN VIEW OF MODEST EXPECTATIONS FOR GROWTH IN OECD DEMAND. NEW ADDITIONS TO SUPPLY CAN BE EXPECTED FROM THE NORTH SEA AND ALASKA, AND FROM RAPIDLY EXPANDING MEXICAN OUTPUT. WE DO NOT, HOWEVER, ANTICIPATE ANY IMMINENT TECHNOLOGICAL BREAKTHROUGHS THAT WOULD PERMIT NEAR-TERM RECOVERY OF ADDITIONAL SUPPLIES OF CONVENTIONAL ENERGY RESOURCES OR THE SUBSTITUTION OF NONCONVENTIONAL SOURCES OF ENERGY.

75. WORLD FOOD SUPPLIES APPEAR ADEQUATE FOR 1978 AND THE CONTINUING PROBLEMS WILL BE GLOBAL DISTRIBUTION. HOWEVER, DROUGHT IS CURTAILING PRODUCTION IN THE SOUTHERN HEMISPHERE, IN THAILAND, AND IN SAHELIAN AFRICA AND THE SURROUNDING AREA.

76. POPULATION GROWTH AT PRESENT RATES IN MANY LDCS WILL CONTINUE TO INHIBIT THE GROWTH OF PER CAPITA INCOME AND

THUS CHECK THE MOST VISIBLE IMPROVEMENT OF LIVING CONDITIONS FOR THE BULK OF THE WORLD'S PEOPLE. MORE PARTICULARLY, THE ACCELERATED GROWTH OF WORKING-AGE POPULATION IN DEVELOPING MARKET ECONOMIES WILL FURTHER INTENSIFY CURRENT PROBLEMS OF UNEMPLOYMENT AND UNDEREMPLOYMENT. POPULATION IN THE 15-TO-24 AGE GROUP IS PROJECTED TO GROW AT AN AVERAGE RATE OF 3.3 PERCENT A YEAR THROUGH 1980. THIS IS THE SAME AGE GROUP THAT HAS BEEN SEVERELY AFFECTED BY RECENT INCREASES IN UNEMPLOYMENT IN THE INDUSTRIALIZED DEMOCRACIES. IN SEVERAL WEST EUROPEAN COUNTRIES--THE UNITED KINGDOM, GREECE, ITALY, AUSTRIA, AND SPAIN--POPULATION GROWTH IN THIS AGE GROUP IS STILL ACCELERATING.

77. GLOBAL HEALTH AND RELATED PROBLEMS ARE LIKELY TO RECEIVE INCREASED GOVERNMENTAL ATTENTION BECAUSE 1979 HAS BEEN DECLARED THE INTERNATIONAL YEAR OF THE CHILD AND

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PREPARATIONS WILL BEGIN FOR THE INTERNATIONAL WATER DECADE THAT HAS BEEN DECLARED FOR THE 1980S. THE WORLD FOOD, POPULATION, AND HEALTH PROBLEMS THAT CURRENTLY EXIST WILL CONTINUE TO CHALLENGE SUCCESSFUL IMPLEMENTATION OF THE ASPECT OF US HUMAN RIGHTS POLICY THAT IS DESIGNED TO ADDRESS BASIC HUMAN NEEDS. VANCE

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